



**TAMALPAIS UNION HIGH SCHOOL DISTRICT**

# **Update on FMP Project Cost Estimates**

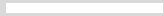
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# Purpose:



- Update: The total cost estimates for the FMP projects from April 2022 have increased from \$394M to \$517M in January 2023
- Provide an update on:
  - The process from transitioning a high-level FMP to individual projects
  - 5 major drivers for the cost estimate increases compared to FMP estimate
  - Scenarios, Options, Questions, and Discussion

# **Transition Process: FMP to individual projects**



# Process: FMP to Individual Projects



## Definition:

The FMP is the “**result of a process in which the Board of Education and District staff collect and analyze data regarding the current and future needs of district facilities**”.

*(California School Boards Association - Nov 2007)*

This high-level planning document establishes a framework for growth and development of capital improvements on school sites through new construction and modernization work with estimated costs at the time of evaluation. The work and associated cost estimates are at a high planning level to identify the basic scope of work with a general order of magnitude of cost.

# Process: FMP to Individual Projects (cont'd)



How does a district transition from a high-level FMP to individual projects?

## Facilities Project Process:

1. Convert FMP into site-specific project list with more detailed cost estimates
  - a. Validate list of FMP assumptions (i.e. assessments, studies, cost data, escalation, soft costs, etc.)
  - b. Apply updated/new state code requirements (i.e. Building, Energy, ADA, etc.)
  - c. Apply unique environmental/economical factors (i.e. Covid impact)
  - d. Combine listed work into executable and sensible specific projects

## Process: FMP to Individual Projects (cont'd)



2. Approval of new prioritized project list developed from FMP with updated costs  
**\*Board approval**
3. Approval of GO Bond to fund FMP project list based on updated costs  
**\*Community Voter approval**
4. Approval of each individual site-specific project (20% design, 100% project cost, project schedule) based on project priority  
**\*Board approval**
5. Approval of contract award for each individual site-specific project (including additional funds if required)  
**\*Board approval**

# **5 Major Drivers for Increases in Project Cost Estimates**



# Major Drivers for the cost estimate increases



1. Construction Market Shift & Escalation assumptions
2. DSA requirement for 20% of total construction cost until all ADA issues (parking, path of travel, bathrooms, elevators, etc) resolved
3. Hard Construction Costs
  - HVAC code change in January 2023
4. Soft Costs & Contingencies assumptions
5. Bond Program Overhead Costs



# Hard Construction Costs

Category	Current Cost Estimate	Previous Cost Estimate	Cost Variance
Hard Construction Costs	\$222,887,402	\$206,048,493	\$16,838,910

## Rationale for change:

While there are project cost increases and reductions, the most significant change is HVAC at \$16.158M. This is driven by a 2023 Building Code change that requires air circulation and air exchanges. Many of your current heating systems are static, boilers and radiators with no air exchange. The previous cost estimate assumed layering cooling systems over existing systems leaving you without air exchange under heating conditions. The current estimates for complete replacement.

California Building Code adoptions take place every three years with January 1, 2023 being the latest. The first publication of the proposed changes takes place six months ahead of the adoption, on or about July 1, 2022. The FMP was published in April 2022 based on assessments that were completed in 2021, ahead of the published guidance. Greystone West and architects monitor code changes. moving forward.


# ADA Accessibility & Regulations



“When the adjusted construction cost is less than or equal to the current valuation threshold, as defined in Chapter 2, Section 202, the cost of compliance with Section 11B-202.4 shall be limited to 20 percent of the adjusted construction cost of alterations, structural repairs or additions. When the cost of full compliance with Section 11B-202.4 would exceed 20 percent, compliance shall be provided to the greatest extent possible without exceeding 20 percent.”

- Division of State Architect (DSA) - Interpretation of Regulations guide

# ADA Accessibility




Category	Current Cost Estimate	Previous Cost Estimate	Cost Variance
ADA Accessibility	\$42,177,480	\$5,000,000	\$37,177,480

**Rationale for change:**

Americans with Disabilities Act, (ADA) Compliance. The CA. Division of State Architect, (DSA), has a goal of universal accessibility. This includes path-of-travel throughout your campuses and to public transportation. Equal access to toilet and changing facilities, sporting venues and performing arts centers at all seating levels. The published guidance states, 'If the project cost is above the current threshold of \$195,358, there is no limit on the cost of compliance.'

However, the district can make a case for "Unreasonable Hardship" which would limit cost of compliance to 20% of the adjusted contract cost. Our 25-year history with the Oakland DSA Office has taught us to err on the side of caution and allocate the full 20% of total construction costs.

# Soft Costs & Contingency Assumptions




Category	Current Cost Estimate	Previous Cost Estimate	Cost Variance
Soft Costs & Contingency assumptions	\$131,027,250	\$111,331,724	\$19,695,526

## **Rationale for change:**

The current cost estimate includes a 10% Design Contingency to cover changes that occur between the current concept and DSA approved design drawings. A 10% Construction Contingency for changes that occur during the course of construction. And a 5% Program Reserve to cover the cost of changes that take place at the Program Level. Soft Costs, such as design fees, testing and inspection, permit fees, are included at 22%, for a total of 47%. The previous cost estimate includes 25% soft cost and a 12% program level contingency for a total of 37%.

# Construction Market & Escalation assumptions



Category	Current Cost Estimate	Previous Cost Estimate	Cost Variance
Construction Market & Escalation	\$115,122,274	\$71,254,166	\$43,868,108

## **Rationale for change:**

Escalation is a projection of how much construction costs will increase between the current cost estimates and when the actual contracts are awarded. Prior to an approved projects list it is typically calculated to the midpoint of your bond program. The historic average for Marin County schools is 5.2% per annum. The current cost estimate uses 5.5% compounded yearly thru 2027. The previous cost estimate includes a flat 8% for one to three years depending on the project. Bay Area construction cost is notoriously hard to predict. The construction cost index from 2016-2020 averaged just 3.12% but in both 2021 and 2022 it averaged 11.35%, which is a compounded 23.99% increase over the last two years. Recent Fed Reserve actions are beginning to cool things down however inflation remains a significant factor.

# Bond Program Overhead Costs



Category	Current Cost Estimate	Previous Cost Estimate	Cost Variance
Bond Program Overhead	\$5,910,000	\$0	\$5,910,000

## **Rationale for change:**

Bond Program Overhead costs include: Bond Issuance Fees, Bond Audits, Legal Fees, Staff Salaries etc. They are sometimes covered in a Facilities Master Plan budget, but often not. The current cost estimate includes \$5.91M.

# Scenarios & Options



Given that estimated cost for all FMP projects has increased, here are some funding amounts for consideration:

Explore three potential bond funding amounts (with tax rate) for community polling and feedback. Polling can include all three funding amounts:

1. \$517M is estimated to fully fund all FMP projects at current cost estimates
  - Tax Rate: 3.0 cents per \$100 of AV
2. \$487M is estimated to fully fund all FMP projects with acceptable compromises
  - Tax Rate: 2.83 cents per \$100 of AV
3. \$457M will not fully fund all FMP projects resulting in not completing some projects
  - Eliminated projects would likely be all Priority 3 and some Priority 2 projects (TBD)
  - Tax Rate: 2.82 cents per \$100 of AV

# Sample Funding Amounts, Rates and Annual Costs

## Tax Rate Analysis <sup>(1)</sup>

Based on the tailored assumptions outlined in illustrative scenarios 1-3, the median homeowner (2022-23 AV of \$1,029,950) would pay the estimated taxes shown below:

Illustrative Scenario	Proceeds	Average Tax Rate (\$ per \$100k)	Tax Rate (cents per \$100)	Annual Cost to Median Home Owner	Δ in Annual Cost
1	\$ 457,000,000	<b>\$28.17</b>	<b>2.82</b>	\$290	-
2	\$ 487,000,000	<b>\$28.28</b>	<b>2.83</b>	\$291	+ \$1
3	\$ 517,000,000	<b>\$30.00</b>	<b>3.00</b>	\$309	+ \$18



# Questions, Feedback Needed and Next Steps



# Questions & Next Steps

- Need Board feedback for polling funding amounts to explore to determine level of community support

Sample Polling Options:     \$517M, \$487M & \$457M

## Next Steps:

*Later this Spring, the Bond Exploratory Committee and Board will review and discuss community polling results, levels of community support and then determine next steps.*

*Final decision on funding amount is not needed until November 15, 2023 Board meeting for the March 5, 2024 election.*